TRIGON

Thomas G. Snead, Jr. Chairman of the Board and Chief Executive Officer

March 2, 2001

CONFIDENTIAL

Credit Suisse First Boston Corporation Eleven Madison Avenue, 23rd Floor New York, NY 10010-3629

Atten: Mr. Benjamin C. Adams

Director

Dear Mr. Adams:

Trigon Healthcare, Inc. ("Trigon") is pleased to submit this letter (the "Proposal"), which sets forth the terms and conditions under which Trigon is prepared to proceed with a merger between Trigon and CareFirst, Inc. ("CareFirst"). Of all the strategic opportunities within the Blues system, this is the merger that should happen. We can think of no other combination that would benefit so substantially the customers, associates, providers, brokers and communities of our neighboring companies. Throughout the attached term sheet and marked definitive agreement, we have attempted to approach the proposed transaction on the basis of a <u>true</u> partnership. In doing so, we are acknowledging that only through the combination of our two companies can we serve our many constituents so well.

Together, we can continue the strategy that CareFirst has established, by uniting strong organizations in contiguous markets to create a strong regional health plan. Through the merger of two organizations of similar size, culture, and strengths, we could establish a strong platform for alliances with other Southeastern Blues, creating opportunities for broader coverage for our customers, career growth for our employees, and scale economies for our shareholders. Only CareFirst and Trigon together can capture this unique opportunity in the Mid Atlantic region, and resolve the confusion and inefficiency caused by our service areas boundaries that artificially divide our natural markets.

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By capitalizing on the strengths of each plan to benefit our customers and the community, we can continue our shared commitment to providing the kind of service that has made Blue Cross Blue Shield the most trusted name in health care. Together, we can ensure that our five million members will have the best access to a seamless network of regional care, regardless of where they live or work — extending across 51,000 square miles, from the borders of Philadelphia and New Jersey to North Carolina, Tennessee and Kentucky. They could enjoy greater portability of coverage within our region, and access to the best product options of the combined company.

Similarly, our associates would benefit from the combination of our companies. Our associates would be afforded greater security of employment and broader opportunities for career growth from a growing Mid Atlantic Blue. Because ours would be a combination of neighboring plans that have historically been ill positioned to serve the Northern Virginia market, the value created through the partnership would be derived primarily from our combined ability to better serve not only the employers headquartered in that growing market, but also the many regional companies with employees located in both of our service areas. For our associates, this means that the merger of our companies can create value by serving our markets more effectively and growing our membership, instead of through cost cutting by consolidating management and operations into a distant national infrastructure.

Trigon is committed to continue building upon CareFirst's strong provider relationships. Our long-standing strategy has been to cultivate, maintain, and improve a broad network of high quality providers so that we can deliver value for our members. Today, we have the broadest networks in Virginia, with over 95% of physicians and 100% of hospitals voluntarily participating in our networks. We take a long term view of provider partnership, and have in place today hospital contracts with terms of up to twenty years. Working together with CareFirst, we have an opportunity to provide stability and create value for providers throughout the Mid-Atlantic by offering long term agreements, eliminating administrative hassles, standardizing coverage for their patients and by investing in technology at a level unattainable by either of us independently.

A CareFirst and Trigon alliance would keep health care decision making, employment, and economic development in our region. We are committed to ensuring local representation in health coverage issues by providing continuing roles for the directors of the existing Blue Cross Blue Shield subsidiaries in Maryland, Delaware, and D.C. It is our hope that the current members of these boards would continue to help the Company and their community by serving in an advisory capacity, furnishing guidance and counsel on issues of service, provider policy, member satisfaction, and health care quality - in addition to providing input and feedback with respect to our local market integration plans and community relations programs.

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In Virginia, local customer, physician, and broker advisory panels provide us invaluable community input on product designs, service, medical policy, provider contracting and relations, market intelligence and distribution strategy. We would work with CareFirst in the hopes of extending this helpful practice to other markets as well.

A merger of Trigon and CareFirst can best achieve its full potential if our management and employees work together toward our common vision. We recognize the importance of management continuity and local knowledge, and anticipate that the current CareFirst management and employees will continue to play substantial roles both in running local market operations and managing corporate endeavors. It is my expectation that Bill Jews and I would work together to jointly recommend the appointment of a senior management team to the Board of Directors. On an ongoing basis, Bill and I would work together in partnership to set strategy and targets for the combined operations, provide leadership and direction for our associates, and develop alliances with other health plans.

Since the bulk of the value creation_opportunities that we foresee come from growth, we do not anticipate substantial dislocations of employees. Consistent with our culture and values, any associates of the combined company who may experience dislocation as a result of this transaction will be treated fairly, consistently, and compassionately.

Based on the information we have received to date, we propose that Trigon purchase 100% of the common stock of CareFirst for total consideration of \$1.3 billion in cash and Trigon common stock. This assumes the "light touch" integration approach we've discussed with CareFirst management. We propose a merger transaction in which all Blue Cross / Blue Shield plans survive as subsidiaries. The attached term sheet outlines the key elements of a proposed transaction, and the draft merger agreement reflects some of our initial thinking with respect to phrasing.

We intend to fund the cash component of the consideration with existing cash or debt capacity. We have the ability to consummate the merger quickly, and are confident that we can finance the cash portion of the Aggregate Consideration with existing cash and existing or new debt facilities. We are prepared to provide, prior to the final regulatory hearing, proof of financing capacity reasonably satisfactory to CareFirst that we will have sufficient funds at closing.

We are prepared to pursue this Proposal aggressively and look forward to hearing from you in the coming week. Please contact David M. Platter, Senior Managing Director of Bear, Stearns, Inc. at (212) 272-7720 (p), (212) 272-2295 (f), John M. Venezia, Senior Managing Director at (212) 272-2375 (p), (212) 881-9742 (f). or Timothy P. Nolan, Senior Vice President of Trigon at (804) 354-3173 to discuss the details of our Proposal.

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The proposed transaction is also subject to certain other customary items being satisfied prior to consummating a transaction, including confirmatory due diligence, the negotiation and execution of a definitive purchase agreement and related documents and receipt of required Board, shareholder, and regulatory approvals.

Trigon reserves the right in its sole discretion to withdraw from discussions regarding the proposed transaction. Nothing in this letter should be deemed a binding agreement or an offer to purchase CareFirst. The terms of this Proposal are confidential and are subject to the confidentiality agreement dated September 21, 2000, between Trigon and CareFirst.

We appreciate your consideration of our interest. If you have any questions, please feel free to contact Tim Nolan or any of our advisors.

Sincerely

Attachments: Term sheet

Draft Definitive Agreement